

## **Nuvama India Conference 2025: India: Reformed, Resilient and Resurgent** **Keynote Speech – KVS Manian (MD & CEO – Federal Bank)**

Good morning, ladies and gentlemen!

It is an honour to stand before you today, at an event that celebrates India—reformed, resurgent, and resilient. You know, I can't help but wonder—was this theme secretly inspired by our Oscar-winning blockbuster, RRR!

As I look around this room, I see faces that represent the very essence of this nation: diverse, dynamic, and driven. Today, I want to take you on a journey through the paradoxical enigma that is India - for India is not just a nation— it is a spectrum. It is a canvas painted with the brightest hues and the darkest shades, often at the same time. It is also a constantly shifting spectrum where extremes coexist, contradictions flourish, and yet, somehow, it all works out in the end. But here's the catch...


To win in India, you must first understand its paradoxes. You must learn to identify them, embrace them, and play accordingly. The winners in this market are not those who try to force-fit global models into the Indian context. In fact, the winners are those who recognize the nuances, who appreciate the complexity, and who adapt their strategies to the unique rhythm of this land.

Coming to paradoxes and contradictions - we are the 5th largest economy, yet a developing nation with a small proportion still living under the poverty line. Despite nearly 35% of the population still residing in rural areas, India has over 45 cities with a population exceeding 1 million. India saw close to 172 billion UPI transactions in 2024, making us one of the fastest growing & the largest market for digital payments globally. Yet, in the same cities where millions zap payments through a smartphone, you can still find local vegetable vendors accepting loose change—and both manage to thrive.

India is home to over 1.4 billion people, speaking more than 120 languages, practicing 7 major religions, and celebrating over 60 festivals in a single year. Yet, amidst this staggering diversity, there is an underlying unity that binds us together. This is the paradox of India – a nation that is fragmented yet unified, chaotic yet harmonious.

India's diversity is not just cultural; it is also economic. The regional vs. national paradox is a clear proof to this. Consider this: India's top 10 cities contribute over 40% of the country's GDP. Yet, the real growth story is unfolding in Tier 2 and Tier 3 cities. Cities like Indore, Coimbatore, and Jaipur are emerging as hubs of innovation and entrepreneurship. While the national economy is driven by metropolitan cities, the regional economies are the ones fuelling the next wave of growth.

Consider this: India is home to the world's second-largest population. Yet, it is also one of the youngest nations, with a median age of just 28 years. This demographic dividend is both a challenge and an opportunity. On one hand, we have the task of



creating jobs for millions of young people entering the workforce every year. On the other hand, we have a vibrant, tech-savvy generation that is driving innovation and entrepreneurship like never before. This tech-drive is eliminating some blue and even some low end white collared jobs.

Now, let's dive into one more fascinating paradox of India: the coexistence of microfinance and corporate banks. On one end of the spectrum, we have microfinance institutions that cater to the underserved and unbanked population. India's microfinance industry has an AUM of over ₹3 lakh crore, serving more than 6 crore borrowers, most of whom are women from rural areas. Many of these entrepreneurs begin with small loans—sometimes as low as ₹10,000 (USD 115)—yet build family-run businesses. These institutions are not just providing financial inclusion; they are empowering communities and driving grassroots economic growth.


On the other end, we have corporate banking giants financing global Indian conglomerates with market capitalizations running into hundreds of billions of dollars. These companies are not just driving India's economic growth; they are shaping the global narrative. Today India's corporate lending stands close to ₹40 lakh crore, including structured credit and syndicated finance. The conversations that happen here are complex topics around capital raising locally and internationally, and may be around M&A.

While microfinance institutions are helping the poorest of the poor, corporate and investment banks are powering corporates competing on the global stage. Yet, both are integral to India's growth story. One is built on social mobility; the other, on economic ambition. Yet co-exist in the same financial ecosystem. Not just that, they co-exist in the same institution many times.

The Indian stock market is a fascinating duality too. On one side, there's the rise of retail investors—17.9 crore demat accounts strong—fueled by user-friendly apps and a hunger for quick gains. Retail traders now drive over 40% of derivatives turnover, a testament to their growing influence, a remarkable feat considering only 5% of Indians invest in stocks—far below the U.S. (55%), UK (33%), or China (13%). Imagine the potential if that 5% doubles. The Sensex wouldn't just rise; it would roar.

On the other side, there are foreign institutional investors (FIIs), the steady, long-term players who've poured \$831 billion into Indian equities, making up 16% of the market. They see India as a beacon of growth in emerging markets.

Bridging these two worlds are DIIs, fueled by the savings of the common Indians. This marks a dramatic reversal from a decade ago, when FIIs dominated the market compared to DIIs by 70-30 margin. Today, the gap has narrowed to near parity. The backbone of this revolution? Retail investors. Mutual funds, insurance, and NPS are channeling their money into the markets. Even those who've never traded a single stock are now market participants through SIPs, NPS and insurance policies. The impact is undeniable. Last year, at times when foreign money started exiting India



amidst global volatility, DII's stepped in with record infusions, stabilizing the market. This resilience has turned DII's into a counterbalance to FII's, reducing India's reliance on foreign capital. The story of DII's is more than numbers—it's about empowerment. Retail money is now an equal force reshaping the market.


This paradox reflects India's diversity—a market where short-term thrills meet long-term vision, where retail dreams fuel institutional power. It's a story of contrasts, collaboration, and untapped potential. The ecosystem has found different business models to monetize these trends. You have purely digital discount broking for retail, high touch brokerage models for HNI's and institutional brokerage models- all flourishing. And as more Indians join this journey, the story will only grow richer, bolder, and more extraordinary. That is a revolution that is unfolding still.

India is a country where the family offices and the SIP investor are both part of mainstream conversations. Let us talk some numbers. The AUM of the Indian mutual fund industry is inching towards ₹70 lakh crores, with SIP contributions accounting for over ₹26,000 crore every month - which is around the GDP of Bhutan. These are retail investors—persistent, disciplined, and steadily building their future. At the same time, family offices in India are managing trillions in wealth, investing in everything from startups to real estate to art. The beauty of India is that it offers something for everyone—whether you are a small investor starting with ₹500 a month or a high-net-worth individual looking to diversify your portfolio. The SIP investor plays the long game, compounding wealth over decades. The family office, meanwhile, wields power and preserves wealth. Same market, vastly different strategies.

The coexistence of NBFCs and traditional banks is another interesting fact about this country. NBFCs have emerged as a critical pillar of India's financial system, with an AUM of about ₹50 lakh crore. They also cater to segments that traditional banks often overlook, such as first-time borrowers. Interestingly, their market share in total credit has jumped to 30%, doubling in the last decade. In contrast, India's banking sector, with an AUM of over ₹200 lakh crore, remains the backbone of the economy, providing stability and scale. India also has over 90 regional rural banks, focused on local economies, alongside lending behemoths. The local lender knows its farmer by name; while the universal banks fuel cross-border trade. Both are pillars of India's growth story. All of this, in parallel with neo banks and digital-first banking and a host of fintech plays. We love banks, we love NBFCs, and we love FinTech!!

While NBFCs are nimble and innovative, banks are robust and reliable. Together, they form a financial ecosystem that is both inclusive and resilient. This dual lending system provides flexibility and resilience: when banks become cautious, NBFCs often step in, and vice versa. One thrives on agility, the other on trust. Both are indispensable. But there is a paradox within this paradox, if you notice carefully there are large NBFCs who have a market cap which is often much bigger than several banks! Fascinating!

This is a country which allows the niche plays vs. universal plays paradox too. On one hand, we have niche players who are dominating specific sectors. For example, India



is the world's largest producer of milk, with Amul, leading the charge - a niche play. On the other hand, we have universal players, who have a presence in everything from telecom, retail ,energy , auto ,cement, chemical , infra etc. While niche players are focused and specialized, universal players are diversified and scalable. And both are thriving in India's dynamic market. This is also true for the BFSI sector. The diversity available within BFSI, to choose from on business models, is amazing. India's financial pulse beats to a rhythm of contrasts and variations. In the U.S., finance makes up just 12.8% of the S&P 500, reflecting an economy where technology, healthcare, and consumer goods take centre stage. In India, the story shifts—finance dominates 30% of the Sensex, a witness to its central role in the nation's growth. And this may remain high or even grow as the segment evolves even more from here.


The journey of a customer in India's financial ecosystem is interesting—a journey that begins modestly, often with a Micro Finance entity, a cooperative bank or a regional rural bank. These institutions, rooted in local communities, are the first touchpoint for millions. From there, the customer steps into the world of NBFCs, or the Jan Dhan accounts in mainstream banks to meet their growing needs. But the story doesn't end there. As aspirations rise, so does the trajectory, customers graduate to seeking more sophisticated services in the broader financial services ecosystem.

Yet, this mobility isn't just about customers; it's mirrored in the evolution of financial players themselves. The NBFCs and Micro Finance Companies of yesterday have transformed into banks and Small Finance Banks. And now, these SFBs dream bigger—they aspire to become universal banks, offering a full spectrum of services. It's a constant state of progress, where providers and consumers are in a constant state of motion, each pushing the other to evolve. This is a system which is always in flux. It's a cycle of mutual growth.

India's luxury real estate market is witnessing unprecedented demand, with recent projects setting staggering benchmarks. In several high-end developments we heard that within just three days of launch the projects were sold out, highlighting the booming appetite for opulent living spaces. The numbers reflect a thriving luxury market, driven by exclusivity, premium offerings, and the rising aspirations of India's affluent buyers.

Yet, this is only one side of the story. On the other end of the spectrum lies the heart-warming narrative of the Pradhan Mantri Awas Yojana (PMAY), a transformative initiative that has empowered millions to purchase their first homes. With total loan disbursements under PMAY (Urban) surpassing ₹4 lakh crore (USD 48 billion), the affordable housing sector has ignited a revolution, turning the dream of homeownership into reality for countless families.

While top universal banks cater to the niche, high-end segments of the market for home loans, the affordable housing sector fuels a different kind of passion—a passion for dignity, security, and a place to call one's own. The scale may differ, but the emotion remains the same: the universal desire to own a home, whether it's a



sprawling penthouse or a modest abode.

Our economy is also built on another fascinating duality—SMEs and corporates, distinct yet deeply connected. SMEs form its backbone, contributing over 30% of GDP and employing 110 million people, yet some of them struggle with access to credit and technology. Corporates, on the other hand, drive innovation and scale, shaping the country's economic future. It's remarkable—a rural artisan and a billion-dollar Bengaluru tech firm thriving in the same ecosystem, serving vastly different markets yet growing in tandem. India nurtures both, allowing them to rise together. Banks, of course, have eagerly turned to MSMEs to fuel their growth, with government support further accelerating the sector. But there's a twist—MSME loans are now priced almost at par with corporate loans. In their pursuit of opportunity, banks now find themselves navigating a conundrum of their own making.


Now, consider the energy sector—we are the world's third-largest energy consumer, a requirement to our growing economy and aspirations. Yet, we are also among the fastest adopters of renewable energy, a beacon of hope in the global fight against climate change. By 2070, we have pledged to achieve net-zero emissions, a bold promise for a nation of 1.4 billion. But here lies the tension: even as we build the world's largest solar park in Rajasthan, a sprawling sea of panels harnessing the desert sun, coal remains the bedrock of our energy grid, fuelling over 70% of our electricity.

Our banks, too, are caught in this delicate transition. While they strive to align with sustainable finance, funding the green revolution with directed investments in solar, wind, and hydropower, the banks still grapple with the reality of coal and traditional power. It is a balancing act: financing the future while managing the present. The numbers tell the story—renewable energy capacity has quadrupled in the last decade, yet coal production continues to rise. This duality is not a contradiction but a transition. India is not just navigating change; it is embodying it. The energy sector, much like our banks, is learning to walk the tightrope between legacy and innovation.

The big question is: how do you win in such a multifaceted environment? The answer is simple yet profound: Winners will choose their game carefully and play it with conviction. India can be like a buffet where every cuisine is served: from street-side golgappas to Michelin-starred experiences. At first, you might be confused about where to start. The trick is to begin with what suits your palate (and risk appetite). Over time, you can expand your taste, exploring all the colorful flavors on offer.

Ladies and gentlemen, India is not for the faint-hearted. One of my earlier bosses used to say this well – A snapshot of India at certain points in time can look scary , but you must see the movie if you want to understand the full perspective.

India is for those who are willing to embrace its contradictions, navigate its complexities, and seize its opportunities. It is for those who can see the spectrum and capture both ends. It is for those who can admire the enigma and turn it into an advantage. The game is not about choosing between extremes; it's about finding the



sweet spot. It's about recognizing that the regional player can go national, that the niche play can become universal, and that the small can coexist with the big or even merge into the big.

As we celebrate India's reformation, resurgence, and resilience, let us remember that the journey is far from over. The best is yet to come. And as we navigate this journey, let us do so with curiosity, courage, and conviction. Because in the end, the winners are not those who play it safe, but those who play it sharp. It requires agility, foresight, and a willingness to embrace complexity. It requires us to ask not just "What is the opportunity?" but also "What is the paradox?" Because in India, the answer to both questions is often the same.

A few years ago, a global investor told me, "India is like a game of chess. The rules are the same, but the strategies are vastly different." I couldn't agree more. In India, you can choose your game.

The last few weeks showed us that India is a spectacle of energy—where devotion and passion take infinite forms. On one side, the Mahakumbh: the world's largest human gathering, where millions descend upon sacred riverbanks. More than a pilgrimage, it is India's timeless communion with the divine. On the other, a Coldplay concert in Mumbai: thousands under a starlit sky, faces painted, and voices rising in unison. At first glance, these worlds seem apart—one seeking salvation in the Ganga, the other in a guitar's chords. Yet, they are tethered by the same intensity, the same belief in the power of collective experience. This is India—where the ancient and the modern, the sacred and the sensational, don't just coexist but thrive together.

If you ever feel overwhelmed by India's contradictions, just take a deep breath and remind yourself: this is the country that gave the world both - Yoga and Bollywood. If we can balance serenity and spectacle, surely we can balance a few paradoxes!

Before I sign off, let me ask you-- on your way to this venue did you find traffic, because I did!!!

Indian traffic is a paradox too – it's chaotic, yet it flows. If we can navigate that, we can navigate anything!

Thank you and may the spirit of India inspire us all.

Jai Hind!